

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2718 – HB 3024

March 5, 2012

**SUMMARY OF AMENDMENT (013866):** Deletes all language after the enacting clause. Expands the meaning of “dealer” to mean any person or entity that dispenses compressed natural gas (CNG) to the public. Requires dealers of CNG to apply for and obtain a permit from the Department of Revenue (DOR) for the purpose of dispensing CNG to the public or for private use. Requires dealers to post permits, or copies of permits, in conspicuous places. Requires dealer applications to be accompanied by a bond payable to the state. Requires permitted dealers to collect and remit to DOR the CNG tax codified in Tenn. Code Ann. § 67-3-1113. Establishes recordkeeping and reporting requirements for permitted dealers. Declares that meters and dispensers used for selling compressed natural gas be inspected and verified by the Department of Agriculture (DOA). Specifies that any user of CNG does not have to apply for nor obtain a CNG user permit when the user purchases CNG from a dealer as defined by this bill.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

Up to \$300/FY12-13/General Fund  
Up to \$12,300/FY12-13/Highway Fund  
Exceeds \$300/FY13-14 and Subsequent Years/General Fund  
Exceeds \$12,300/FY13-14 and Subsequent Years /Highway Fund

Increase Local Revenue –

Up to \$7,400/FY12-13  
Exceeds \$7,400/FY13-14 and Subsequent Years

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

- Based on information provided by DOA, any increase in departmental expenditures is considered not significant and can be accommodated within existing resources without an increased appropriation or a reduced reversion.

SB 2718 – HB 3024

- According to DOR, CNG tax collections for FY10-11 were \$814.24. Year-to-date CNG tax collections for FY11-12 (as of the date of this fiscal note) are \$3,054.96.
- DOR indicates this bill will increase CNG tax revenue, but determining by how much is difficult. The Department estimates an additional unknown amount up to \$20,000 will be generated for FY12-13 as a result of this bill. However, the amount of CNG tax revenue collected over time should increase as consumers demand increasing amounts of CNG for alternative fuel vehicles. As a result, the increase in CNG tax revenue for FY13-14 and subsequent years is reasonably estimated to exceed \$20,000 per year.
- Pursuant to Tenn. Code Ann. § 67-3-905(a), CNG tax revenue is allocated 1.62 percent to the General Fund, 37.13 percent to local governments, and 61.25 percent to the Highway Fund.
- The increase in state revenue allocated to the General Fund for FY12-13 is estimated to be up to \$324 ( $\$20,000 \times 1.62\%$ ); the increase in state revenue allocated to the Highway Fund for FY12-13 is estimated to be up to \$12,250 ( $\$20,000 \times 61.25\%$ ); and the increase in local revenue for FY12-13 is estimated to be up to \$7,426 ( $\$20,000 \times 37.13\%$ ).
- The recurring increase in state revenue allocated to the General Fund for FY13-14 and subsequent years is estimated to exceed \$324 ( $\$20,000 \times 1.62\%$ ); the recurring increase in state revenue allocated to the Highway Fund for FY13-14 and subsequent years is estimated to exceed \$12,250 ( $\$20,000 \times 61.25\%$ ); and the recurring increase in local revenue for FY13-14 and subsequent years is estimated to exceed \$7,426 ( $\$20,000 \times 37.13\%$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc